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February 17, 2004

Mr. James Alders
Xcel Energy
414 Nicollet Mall
Minneapolis, MN 55401-1993

RE: Acceptance of Site Permit and Routing Application
Blue Lake Expansion
Shakopee, Scott County, Minnesota
EQB Docket #04-75-PPS-Blue Lake

Dear Mr. Alders:

On February 10, 2004, Northern States Power Company, d/b/a Xcel Energy (Xcel Energy), filed a Site Permit and Route Permit application with the Minnesota Environmental Quality Board (MEQB) regarding the addition of two simple cycle, natural gas fueled combustion turbine generators to the Blue Lake Generating Plant in Shakopee, Minnesota. As part of this project, Xcel Energy proposes to construct a new segment of double circuit 115/230 kV transmission line, approximately 4000 feet in length, to connect the Blue Lake Substation to an existing 230 kV transmission line that passes south of the Plant site.

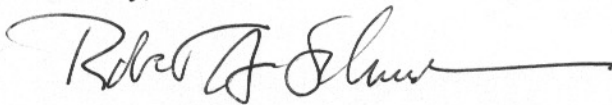
MEQB staff has reviewed your application and has recommended that I find your application consistent with the requirements of Minnesota Rules, part 4400.1150, and that the application be reviewed pursuant to the Alternative Permitting Review process procedures in Minnesota Rules, part 4400.2000-2950. Based upon the MEQB staff recommendation and my review, I am accepting the Xcel Energy application with the understanding that if additional information is requested by the MEQB staff these requests will be addressed promptly.

Xcel Energy has also applied to the Public Utilities Commission (PUC) for a certificate of need (CON) for the proposed turbines. Under rules recently adopted by the EQB, Minnesota Rules, part 4410.7060, the EQB prepares an Environmental Report for the PUC on proposed projects as part of the CON process. However, if an applicant has applied to the EQB for a site permit for a specific site for a proposed project while the CON application is pending before the PUC, the EQB may elect to consider the more general impacts of the proposed project with the site specific impacts associated with the proposed location of the power plant. In such an event, the EQB prepares one environmental review document called an Environmental Assessment. I believe it is appropriate to combine environmental review in this case, and I have directed the staff to prepare a single Environmental Assessment document. The public will have an opportunity to participate in the process and review the Environmental Assessment before final decisions are made.

Since the turbines will be constructed on the existing Blue Lake Plant site and the route of the 230/115 kV transmission line will parallel an existing 345 kV transmission line, I believe it is unnecessary to appoint a citizen advisory task force to consider alternative sites or routes.

Mr. Bill Storm will be the MEQB's staff project manager for this project and you may direct any future questions to him. Mr. Larry Hartman of the MEQB staff will serve as the public advisor for this project. We look forward to working with Xcel Energy to fully address any issues that may be raised in review of this application. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert A. Schroeder", followed by a long horizontal flourish.

Robert A. Schroeder, Chair
Environmental Quality Board